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ENHANCEMENTS TO THE INJECTION WELL INCENTIVE (IWI)

The Injection Well Incentive portion of the Manitoba Drilling Incentive Program provides for a one year exemption from the payment of Crown royalty or freehold production tax on production allocated to a unit tract in which a well is drilled or converted to water injection.

The IWI was amended to include the following program enhancements:

- remove the existing production restrictions for wells to be converted to injection;
- allow any unused Holiday Oil Volume (HOV) for a well converted to injection to be, at the company's option, either:
  - transferred to the company's HOV account; or
  - extend the Injection Well Incentive from the current term of 12 months to a maximum of 18 months.

Wells eligible for the IWI include those drilled for the purpose of injection in an approved enhanced recovery project, as well as vertical or horizontal wells that are converted to injection. The IWI exemption is for one year beginning in the month in which injection commenced and applies for a vertical well, to the unit tract in which the well is located; and for a horizontal well, to the four unit tracts containing the majority of the injection area, as determined by the director.

Under the IWI, the licensee of a well drilled or converted to injection on or after July 1, 2006 may make a one-time request to use any remaining, unproduced holiday oil volume earned by the well under the Manitoba Drilling Incentive Program to extend the exemption period from 12 months to a maximum of 18 months in accordance with the following formula:

$$EP = \frac{UHV}{P\,Av}$$

Where,

EP = extension period in number of months, rounded down to the nearest month

UHV = unused holiday volume prior to conversion of well to injection

P Av = average well production over the last 3 production months prior to conversion of well to injection

If the exemption period is not extended within one year of the conversion of a well to injection, any remaining, unproduced holiday oil volume earned by the well prior to injection will be assigned to the licensee's holiday oil volume account.

For additional information related to the Manitoba Petroleum Fiscal Regime please refer to our website http://www.gov.mb.ca/iedm/petroleum/regime/index.html

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